

## US EXECUTIVE APPROVAL FORM

**KAZ Inc.**

**HQAPP Requests:**

1. 70% discount on an E-business Suite license migration fee only (Ebiz plus 45%). After migration credit and discount, the migration fee is 132K. Per standard rules, the Upgrade Fee of 52K is not being discounted.
2. Use 2002 E-business Suite matrix

**Deal Summary:**

Deal Summary	
Programs	2002 E-business Suite
License Discount	70% (ebiz + 45%)
Support Discount	70% (ebiz + 45%)
List License	\$2,200,000
List Support	\$484,000
Net License*	\$184,775 (includes migration and upgrade fee)
Net Support*	\$50,194
Net Total Price	\$234,969
Price List Used	March 3 <sup>rd</sup> , 2003

\* Note: The license and support migration credits are included in the net fee calculation.

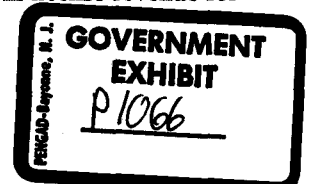
**Justification:**

**1. 70% discount on an E-business Suite license migration fee only (Ebiz plus 45%)**

KAZ was a \$100M manufacturing a year ago. In August of 2002, they acquired the Consumer Products Division of Honeywell International, which brought KAZ's overall rev to \$300M. Honeywell is a long time Oracle applications customer. KAZ was unsure if they were going to keep the Honeywell IT staff since they were considering using a JD Edwards solution at the time to replace their legacy applications. They felt that the JDE solution provided the functionality they were looking at a much lower total cost of ownership. The former Honeywell employees (now KAZ employees) helped us to eliminate the JD Edwards concern based on functionality, but there are still concerns about the cost. Honeywell has historically received large discounts (76% as per the last contract) from Oracle. Since the larger part of KAZ today was Honeywell, we are asking for a similar discount. We believe that by migrating them to the Suite we will secure revenue opportunities for Oracle next year as described below.

KAZ is considering purchasing the Mobile Supply Chain application at this time. They would like to migrate to the Suite in lieu of buying the MSC application but are concerned about the migration costs. With the standard E-business discount, the net license fees are \$1.1M (after the license migration credit). They spent \$800K on licenses 8 months ago and the CEO has indicated he would not spend an additional \$1.1M to migrate. He has agreed to move forward with the migration if we can lower the migration cost.

KAZ operates in locations throughout the world. They are live on R11i (11.5.7) Financials, Discrete Manufacturing and Purchasing applications in 80% of the North America locations. The implementation plan is to complete the NA roll by the end of the summer and roll out the European and Asia locations by the end of the calendar year. As they roll out the applications, they will have to purchase more users. If we migrate them to the Suite, we estimate they will need 600 Professional users and 1500 Employee users. This could potentially mean another \$1.5-2M in license revenue for Oracle next fiscal year.



By migrating KAZ now, the customer has agreed not to consider other vendors for their CRM, HR and Warehouse management needs thereby eliminating competitive threats from Seibel (for CRM), PeopleSoft (for HR) and Yantra (for WMS). They have 100 people in their call center spread out through four locations worldwide. The CRM solution alone represents \$380K in potential license revenue next year. In addition, with 1500 employees, we could see another \$500K in HR license revenue. And lastly, one of the three warehouses is using the Yantra application as a warehouse solution. By replacing Yantra, we could see another \$400K in license revenue.

KAZ has agreed in principal to engage Oracle Consulting to assist them with the rollout of the application in the European and Asia locations, Also, they recognize they will engage us to implement the Call Center, HR and Warehouse Management applications. Oracle could realize \$2-3M in consulting revenue in FY04.

We recognize we are requesting a significant discount. We feel by migrating the customer now, we are locking out the competition and ensuring Oracle the best possible license revenue opportunity for next year. We believe this is a sound business investment.

## **2. Use 2002 E-business Suite matrix**

We have been working with the customer for the past six months and have proposed the 2002 E-business Suite prior to the change. The modules that are most important to the customer (Mobile Supply Chain, Call Center, Trade Mgt, Advanced Pricing and WMS) are not in the 2003 E-business Suite. Therefore, migrating them to the 2003 E-business Suite would not provide them the benefit they are looking for.

### **Recommendation:**

Approve. We should show net fees only on the migration, so discount expectations are not set. Our upside on this is future business, so we need to make sure we can get fair value for that in the future. This is required to lock us in.

**Submitted By: Reed Overby, Amit Singh, Boucher**

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